

#5



October 9, 2015

The Honorable Mark Stodola
Mayor, City of Little Rock
City Hall, Room 203
500 West Markham Street
Little Rock, AR 72201

The Honorable Joe Smith
Mayor, City of North Little Rock
North Little Rock City Hall
300 Main Street
North Little Rock, AR 72114

RE: PROPOSED ISSUANCE OF SPECIAL REVENUE BONDS IN 2016 & ADOPTION OF
SPECIAL RATES TO SUPPORT REPAYMENT OF THE BONDS

Mayors Stodola & Smith:

Central Arkansas Water ("CAW") proposes to issue not more than Thirty Three Million Dollars (\$33,000,000), in one or more series, in CAW Special Revenue Bonds in calendar year 2016. CAW may issue the bonds on the public markets and utilize the proceeds from the issuance of the bonds to acquire the water system currently owned and operated by Maumelle Suburban Improvement District No. 500 of Pulaski County, Arkansas, d/b/a Maumelle Water Management ("MWM") and make capital improvements thereto, together with establishing one or more debt service reserves and paying the cost of issuing the bonds. The bonds will be repaid with the proceeds of one or more debt surcharges to be assessed against MWM customers; revenues from Little Rock and North Little Rock customers will be used to repay these bonds.

CAW also proposes to adopt special rates, as outline in the Water Consolidation Agreement between CAW and MWM, to support operations during the transition phase from existing MWM system water to CAW system water and debt surcharges for repayment of debt, including the bonds, and expenses incurred to finance the purchase and capital improvements. These special rates and debt surcharges will apply only to customers of MWM's water system.

The Consolidation Agreement requires at least one public hearing on any proposed rate change or bond issuance and requires that we give a three-month notice to the governing bodies of the two cities. We have not set the date of the public hearing but will do so in the near future and will notify you. We respectfully ask that the Little Rock Board of Directors and the North Little Rock City Council accept this letter as our official notice of our intention to adopt special rates for customers connected to MWM's water system and to issue revenue bonds and accept that the three-month review periods begin Friday, October 9, 2015. If you need any additional information about the special rates or the bond issuance, or have any questions about the specifics of the proposals, please contact me at 377-1345.

CENTRAL ARKANSAS WATER


C. Tad Bohannon
Chief Legal Counsel

Enclosures

FILED _____ A.M. 2:50 P.M.

BY via email

DATE 10-12-15

Diane Whitbey, City Clerk and Collector
North Little Rock, Arkansas

RECEIVED by Jo Thomas

RESOLUTION NO. 2015-14

A RESOLUTION APPROVING NOTICE TO THE CITIES OF LITTLE ROCK AND NORTH LITTLE ROCK OF THE INTENT OF CENTRAL ARKANSAS WATER TO ISSUE SPECIAL REVENUE BONDS; APPROVING SETTING A DATE FOR A PUBLIC HEARING ON THE ISSUANCE OF THE BONDS; APPROVING THE PREPARATION OF AN OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM, AND PRELIMINARY OFFICIAL STATEMENT; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, Central Arkansas Water ("CAW") has determined that it will be necessary to issue special revenue bonds in an aggregate principal amount not to exceed \$30,000,000, in one or more series, for the purpose of acquiring the water system currently owned and operated by Maumelle Suburban Improvement District No. 500 of Pulaski County, Arkansas, d/b/a Maumelle Water Management ("MWM") and making capital improvements thereto, together with establishing one or more debt service reserves and paying the cost of issuing the bonds; and

WHEREAS, CAW proposes to repay the bonds with proceeds of one or more debt surcharges to be imposed upon MWM customers, and not CAW's general revenues; and

WHEREAS, the Consolidation Agreement that created CAW requires at least one public hearing on any proposed bond issuance and requires that CAW give three months' notice to the governing bodies of Little Rock and North Little Rock; and

WHEREAS, the Board of Commissioners of CAW is adopting this resolution for the purpose of giving notice to the Cities and authorizing its Chief Financial Officer and Chief Legal Counsel, working together with the yet to be selected bond counsel, disclosure counsel, financial advisor, and trustee, to prepare the forms of an Official Notice of Sale, Official Bid Form, and Preliminary Official Statement for presentation and approval by the Board of Commissioners at a later date;

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF CENTRAL ARKANSAS WATER:

Section 1. The Chief Legal Counsel is hereby instructed to give notice to the governing bodies of the Cities of Little Rock and North Little Rock that CAW intends to issue special revenue bonds, in one or more series, in an amount not to exceed Thirty Million Dollars (\$30,000,000) for the purpose of acquiring the water system currently owned and operated by MWM and making capital improvements thereto, together with establishing one or more debt service reserves and paying the cost of issuing the bonds.

Section 2. The Chief Financial Officer is hereby instructed to schedule a public hearing on the issuance of the bonds.

Section 3. The Chief Financial Officer and the Chief Legal Counsel, working together with the yet to be selected bond counsel, disclosure counsel, financial advisor, and trustee, are hereby instructed to prepare the forms of an Official Notice of Sale, Official Bid Form, and Preliminary Official Statement for presentation and approval by the Board at a later date.

Section 4. Such preliminary actions as are determined to be necessary by the Chief Executive Officer, Chief Legal Counsel, and Chief Financial Officer are hereby authorized for the marketing of special revenue bonds in order to provide sufficient funds for acquiring the water system currently owned and operated by MWM and making capital improvements thereto, together with establishing one or more debt service reserves and paying the cost of issuing the bonds; provided, however, that at such time as the Chief Financial Officer may determine to be in the best interests of CAW, the final terms of the public sale of the bonds shall be submitted for approval by the Board of Commissioners of CAW, together with the proposed form of the Official Notice of Sale, Official Bid Form, and Preliminary Official Statement.

Section 5. The Board of Commissioners of CAW hereby authorizes and directs the Chief Executive Officer, Chief Legal Counsel, Chief Financial Officer, and other officers and employees of CAW to carry out or cause to be carried out all appropriate actions, to execute such other certificates or documents to evidence authority as authorized herein, and to take such other actions as they, in consultation with the yet to be selected bond counsel, disclosure counsel, financial advisor, and trustee, shall consider necessary or advisable in connection with this Resolution in order to prepare for the sale of the bonds.

Section 6. This Resolution shall be in effect upon its adoption and approval.

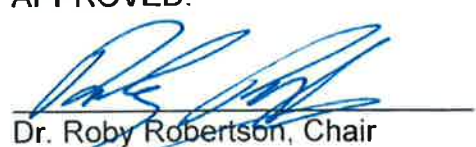
Section 7. A copy of this Resolution shall be filed in the corporate offices of CAW where it will be available for public inspection.

ADOPTED: October 8, 2015

ATTEST:


Jay Hartman, Secretary/Treasurer

APPROVED:


Dr. Roby Robertson, Chair

CERTIFICATE

STATE OF ARKANSAS)
) ss
COUNTY OF PULASKI)

I, Jay Hartman, Secretary/Treasurer of the Board of Commissioners of Central Arkansas Water, do hereby certify that the foregoing is a true and correct copy of Resolution 2015-14 of the Board of Commissioners of Central Arkansas Water, entitled: A RESOLUTION APPROVING NOTICE TO THE CITIES OF LITTLE ROCK AND NORTH LITTLE ROCK OF THE INTENT OF CENTRAL ARKANSAS WATER TO ISSUE WATER SPECIAL REVENUE BONDS; APPROVING SETTING A DATE FOR A PUBLIC HEARING ON THE ISSUANCE OF THE BONDS; APPROVING THE PREPARATION OF AN OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM, AND PRELIMINARY OFFICIAL STATEMENT; AND PRESCRIBING OTHER MATTERS RELATING THERETO, adopted October 8, 2015.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of October, 2015.


Jay Hartman, Secretary/Treasurer

RESOLUTION 2015-15

A RESOLUTION TO ESTABLISH A SCHEDULE OF RATES FOR CENTRAL ARKANSAS WATER WITHIN THE MAUMELLE WATER MANAGEMENT SERVICE TERRITORY; TO FIX THE EFFECTIVE DATE FOR THESE RATES; AND FOR OTHER PURPOSES

WHEREAS, on July 1, 2001, the City of Little Rock and the City of North Little Rock created Central Arkansas Water ("CAW") as a public body corporate and politic under the Consolidated Waterworks Authorization Act, Act 982 of the 83rd Arkansas General Assembly, and consolidated the ownership and operation of their municipal water utilities into CAW; and

WHEREAS, the Board of Commissioners of Central Arkansas Water is vested with the authority to establish water rates, subject to review by the governing bodies of both the City of Little Rock and the City of North Little Rock; and

WHEREAS, CAW has proposed consolidation of the water system owned and operated by Maumelle Suburban Improvement District No. 500 of Pulaski County, Arkansas, d/b/a Maumelle Water Management ("MWM") into CAW's water system pursuant to a Water Consolidation Agreement to be considered by MWM on October 13, 2015 (the "MWM Consolidation Agreement"); and

WHEREAS, the MWM Consolidation Agreement provides that CAW will adopt and charge MWM's existing rates during the "Transition Period" (as defined in the MWM Consolidation Agreement) and that CAW will adopt and charge MWM's customers debt surcharges sufficient to pay the cost of debt associated with the consolidation; and

WHEREAS, the Board of Commissioners finds that the rates to be established pursuant to this Resolution are adequate to meet the revenue requirements necessary for consolidation of MWM's water system into CAW's water system, including the cost of operating and maintaining MWM's water system until it is connected with and incorporated into CAW's water system, as well as funding needed capital improvements.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF CENTRAL ARKANSAS WATER THAT THE FOLLOWING RATES AND DEBT SURCHARGES SHALL BE ADOPTED FOR CUSTOMERS WITHIN THE SERVICE TERRITORY ESTABLISHED BY MAUMELLE WATER MANAGEMENT:

RATE SCHEDULE OF CENTRAL ARKANSAS WATER FOR CUSTOMERS WITHIN MAUMELLE WATER MANAGEMENT'S SERVICE TERRITORY

Section 1. The following schedule of rates is hereby established by Central Arkansas Water ("CAW") for all customers within the service territory established by Maumelle Suburban Improvement District No. 500 of Pulaski County, Arkansas, d/b/a Maumelle Water Management ("MWM"):

Effective Dates

This schedule shall become effective for water billed on or after the date MWM and CAW are consolidated and continue throughout the "Transition Period," unless otherwise amended or noted.

Meter Measurement

Except for public and private fire services, all water used shall be measured through meters. The size of each meter shall be determined by CAW commensurate with its estimate of the amount of water to be used for the premises. MWM's existing meters and rates are expressed in 1,000 gallons and are billed accordingly. CAW's rates and meters are expressed in 100 cubic feet. As meters are replaced or new meters installed, a conversion ratio of 1 cubic foot of water to 7.48 gallons will be used.

Minimum Monthly Charge

The Minimum Monthly Charge for all customers includes payment for the first 1,000 gallons of water used

METER SIZE (diameter)	MINIMUM MONTHLY CHARGE
	Effective upon Consolidation
5/8"	\$ 9.56
3/4"	9.56
1"	42.70
1 1/2"	85.42
2"	149.50
3"	331.02
4"	565.92
6"	1,120.52
8"	1,893.68

METER SIZE (diameter)	SPRINKLER ACCOUNT MINIMUM MONTHLY CHARGE
	Effective upon Consolidation
5/8"	\$ 11.07
3/4"	11.07
1"	49.57
1 1/2"	99.14
2"	173.49
3"	331.02
4"	565.92
6"	1,120.52
8"	1,893.68

Additional Monthly Charge

In addition to the Minimum Monthly Charge, the following table of rates shall apply to the amount of water used in excess of 1,000 gallons per month effective:

CUSTOMER CLASS	\$ PER 1,000 gallons (1,001 to 10,000 gallons)	\$ PER 1,000 gallons (10,001 to 20,000 gallons)	\$ PER 1,000 gallons (20,001 to 30,000 gallons)	\$ PER 1,000 gallons (30,001 + gallons)
NON- SPRINKLER	\$ 3.68	\$ 3.68	\$ 3.68	\$ 3.68
SPRINKLER	\$ 4.26	\$ 4.69	\$ 5.15	\$ 5.41

Upon completion of the Transition Period, CAW outside-city rates for the Minimum Monthly Charge and the volumetric additional monthly charges will commence.

Senior Discount

During the Transition Period, persons over the age of 65 years of age may receive a discount of \$3.00 per month on their monthly bill upon presentment of proof of age to the utility. Upon completion of the Transition Period, this discount will be discontinued.

Private Fire Services

There is no charge for private fire service connections during the Transition Period. Upon completion of the Transition Period, CAW outside-city rates for private fire service will commence.

Section 2. A **Watershed Protection Fee** of \$0.75 per month per meter will apply and be added to the monthly bill for all customers. The fee will accumulate to establish a fund that may be used for small land purchases, to service the debt on larger land purchases, and/or fund the administration of CAW's Watershed Protection Program. Funds from this fee may also be used for maintenance and development of MWM wells, wellhead protection, raw water collection system, and other expenses related to MWM or CAW water sources. This fee replaces the existing MWM Water Source Development and Protection Fee (WSD&P) charged by MWM. Upon completion of the Transition Period, the amount of this fee will change to be commensurate with the Watershed Protection Fee charged to all other CAW customers.

Section 3. In addition to the Minimum Monthly Charges and other rates set forth above, CAW shall also assess the debt surcharges, **not to exceed** the amounts set forth below, on each meter within the service territory established by MWM. The debt surcharges shall be in an amount sufficient to pay for the expenses identified in the MWM Consolidation Agreement, as established by the Chief Financial Officer, working together with CAW's Financial Advisor, and affirmed by the CAW Board of Commissioners. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid.

DEBT SURCHARGES					
(Note that these are not to exceed amounts; actual amounts are expected to be less than those shown below)					
METER SIZE (diameter)	TRANSITION	INTERMEDIATE (Series C)	LONG TERM PURCHASE PRICE (Series A)	CAPITAL IMPROVEMENTS (Series B)	WASTEWATER BRIDGE (if needed)
5/8"	\$13.39	\$7.24	\$13.30	\$8.50	\$7.54
3/4"	13.39	7.24	13.30	8.50	7.54
1"	68.17	36.86	67.71	43.27	38.39
1 1/2"	102.25	55.29	101.56	64.91	57.58
2"	136.33	73.72	135.42	86.55	76.77
3"	170.42	92.15	169.27	108.18	95.96
4"	204.50	110.57	203.13	129.82	115.16
6"	404.91	218.94	402.19	257.04	228.01
8"	684.30	370.68	679.70	434.40	385.34

Series A and Series B may be combined in a single issue with a single debt surcharge, not to exceed to the total of the two surcharges listed.

Section 4. A penalty of ten percent (10%) shall be added to a customer bill not paid before the 20th day following the billing date. If a bill is not paid within 30 days after the billing date, service for the

affected premise, or customer, may be disconnected. In such event, CAW may levy a reconnection charge in accordance with its existing service charge schedule for all CAW customers.

Section 5. This Resolution does not repeal CAW's Resolution 2012-07 establishing rates for CAW's customers other than those within the service territory established by MWM, but it is an addition to CAW's existing rates, as amended from time to time, creating a new rate class of customers during the Transition Period and debt surcharges for customers within the service territory established by MWM even after the Transition Period is completed. Unless specified in this Resolution, all other fees or ancillary charges assessed by CAW to its outside-city customers will apply to customers of MWM (using outside-city classifications, if applicable).

Section 6. Severability. The provisions of this Resolution are separable, and if any portion, section, provision, or phrase of this Resolution shall be declared invalid or unconstitutional, such action shall not affect the validity of the remainder of this Resolution.

Section 7. Definitions. The customer classes described in Section 1 shall be defined as follows:

"Non-Sprinkler" shall mean all customers receiving water service for personal, commercial or industrial use.

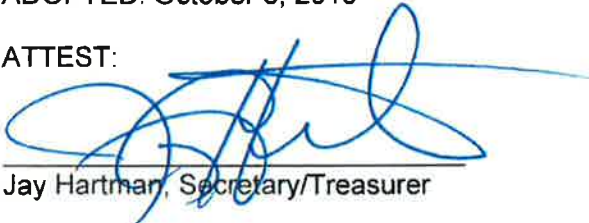
"Sprinkler" shall mean all customers receiving separately-metered water service used exclusively for irrigation sprinkler systems or other outdoor purposes.

Section 8. This Resolution shall be in effect upon its adoption and approval.

Section 9. A copy of this Resolution shall be filed in the corporate offices of CAW where it will be available for public inspection.

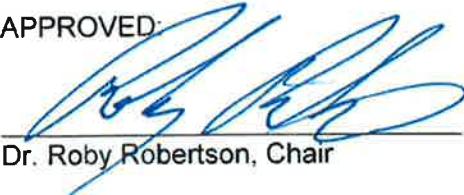
ADOPTED: October 8, 2015

ATTEST:



Jay Hartman, Secretary/Treasurer

APPROVED:



Dr. Roby Robertson, Chair

CERTIFICATE

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IN WITNESS WHEREOF, I have hereunto set my hand and seal of office on this 8th day of October, 2015.



Jay Hartman, Secretary/Treasurer